



## Section 8 Preservation Term Sheet

<b>Purpose</b>	MSHDA is offering tax-exempt preservation lending to extend the affordability, viability and livability of existing Section 8 developments for a minimum of 35 years.
<b>Part A Loan</b>	Based on the lesser of the current market rents trended 1% per year until the end of the HAP or the current Section 8 Contract rents.
<b>Part B Loan</b>	May be established based on the difference between trended market rents and actual contract rents. Part B term equals remaining term of HAP.
<b>Eligible Borrowers</b>	Non-profit housing corporations and limited dividend entities eligible under the Authority's Act.
<b>Eligible Developments</b>	Non-preserved project-based Section 8 developments
<b>Preservation Fund Loan</b>	A subordinate Preservation Fund loan may be available at 3% simple interest amortized over 50 years to assure physical needs of the property are met. Payment may be deferred for up to 12 years if deferred developer fee exists. Annual payments made from available cash flow, with unpaid balance, including accrued interest becoming the new first after the first mortgage balance is paid.
<b>Income Restrictions</b>	Section 8 income limits apply until the expiration of the HAP, at which time applicable LIHTC income and rent restrictions limited to 60% AMI will apply for the balance of the term affordability.
<b>Tax-exempt Rate</b>	Visit our website, <a href="http://www.michigan.gov/mshda">www.michigan.gov/mshda</a> , for current rate
<b>Special Rate</b>	Up to 1/2% of the interest rate may be deferred if at least 15% of the units will be affordable to a targeted special need population with services provided in accordance with a MSHDA approved Addendum III Supportive Services plan.
<b>Term</b>	35 years
<b>Affordability Requirement</b>	35 year original mortgage term or 50 years if combined with Preservation Fund loan
<b>Minimum Rehab</b>	At least \$5,000 in rehab/unit and 15% of acquisition cost required, with emphasis on improvements of benefiting residents (Preservation Capital Needs Assessment required).
<b>Debt Coverage Ratio</b>	1.10 for Part A, 1.0 for Part B
<b>Loan Guarantee</b>	Non-recourse
<b>Prepayment Provision</b>	15-year prepayment restriction
<b>Operating Assurance Reserve</b>	Preservation Operating Assurance Reserve (OAR) equal to four months estimated operating expenses. OAR held by MSHDA and accumulates interest.
<b>Replacement Reserve</b>	Minimum of \$300 per unit budgeted for the first year following refinancing and capitalization of the greater of \$700 per unit or an amount determined by the CNA.
<b>Michigan Green Communities Grant</b>	Grant of \$1,000 per affordable unit, up to a maximum of \$50,000 available from MSHDA for developments meeting the Michigan Green Communities criteria. Enterprise Foundation matching funds and \$3,000 grant for administrative reporting also available.
<b>Environmental Reviews</b>	Phase I Environmental Site Assessment required
<b>Origination and Other Fees</b>	2% of mortgage loan amount. LIHTC application, commitment and compliance fees apply.
<b>Application Fee</b>	\$500 for current MSHDA financed developments and \$1000 for non-MSHDA

### ***For More Information Contact:***

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